

Appearances Can Be Deceiving

British Columbia is comprised of many regional housing markets, none of which perform in perfect unison. Cyclical economic conditions impact regions differently. For example, regions with large recreation housing stocks tend to experience a delay between robust provincial employment growth and elevated sales activity. Since last summer, a marked divergence between consumer demand in Vancouver and in the rest of the province has developed, causing provincial totals to less reflect regional market conditions and home prices to appear to be going through the roof.

While the total residential sales in the province have posted marked improvement since last summer, it belies the fact that outside the Lower Mainland, consumer demand has been quite tepid. Between the trough of last July and March of this year, home sales climbed 70 per cent in the combined Vancouver and Fraser Valley board areas, but increased a relatively tame 12 per cent across the rest of the province.

This means that the proportion of total BC home sales occurring in Metro Vancouver

has increased, causing average BC home prices to climb higher because more sales than usual are occurring in the province's highest priced market. A year ago, home sales through the Vancouver and Fraser Valley boards comprised 57 per cent of the provincial total. Now it's 67 per cent. In addition, the composition of sales in Vancouver has shifted toward detached homes, which tend to be more expensive. This not only creates a local skewing of the combined home type average price, but also exacerbates the upward bias in the provincial numbers as well.

Compared to the same period last year, detached home sales in Vancouver climbed 32 per cent during the first quarter, whereas the gain was only 13 per cent for attached and 10 per cent apartment homes. That shift on its own should skew average price statistics higher. Now, add into the mix the fact that the largest sales gains occurred in Vancouver's pricier markets.

West Vancouver detached sales increased 84 per cent, on Vancouver's Westside the gain was 49 per cent and Richmond

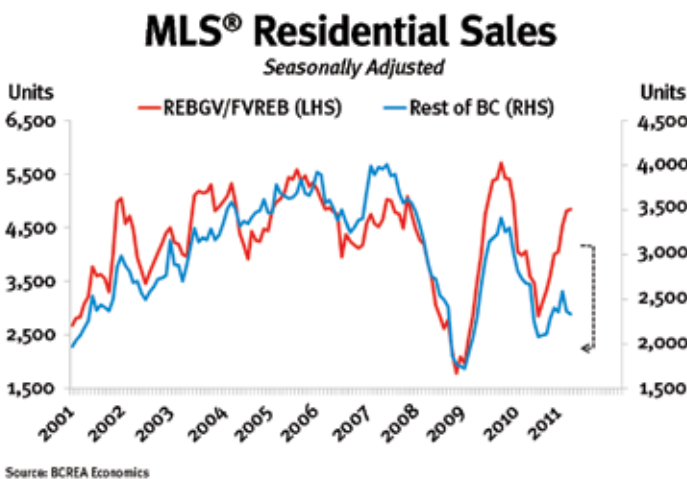


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detached sales rose 38 per cent. This is in stark contrast to the 14 per cent increase in detached home sales on Vancouver's Eastside, an 18 per cent gain in Coquitlam and a mere eight per cent more detached homes sold in Ridge/Meadows.

It's no wonder that the average residential price in Vancouver has skewed out of proportion with market conditions in recent months and that the provincial number is following suit. The Benchmark home price, the price of a typical home, has increased a mere fraction compared to the average sales price in Vancouver. While the average residential sales price in Vancouver has increased nearly 14 per cent over the past year, the benchmark home price climbed a mere five per cent.

Average sales price statistics for Vancouver and the province have become increasingly problematic, with large year-over-year average price gains being interpreted by many organizations as a sign of an overheated market with an inevitable and painful correction on the horizon. However, while the average home price in Vancouver and the province has the appearance of climbing out of sight, evidence on the ground suggests otherwise. A local REALTOR® is now more valuable than ever in cutting through the statistical noise and providing the home price facts.



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